Bidders flock to Trumbull Bond Sale on Heels of Strong Ratings Reports

August 26, 2013 – Town officials here are touting positive results from Thursday's $11.6 million bond sale and an accompany $9.52 million sale of bond anticipation notes (BANs), both of which yielded competitive interest rates on the strength of solid reviews from all three Wall Street rating agencies.

The general obligation bonds, attracted eight bidders, with Roosevelt & Cross, Inc., submitting the winning bid of 3.68 percent. The bonds will replace BANs for capital improvement projects.

The new BANs, awarded to Eastern Bank, attracted five bidders and will have a net interest cost of 0.211 percent.

"I am pleased that our credit rating has been affirmed and our management assessment has been upgraded by the financial rating agencies," said First Selectman Timothy Herbst. "This independent assessment by the financial rating agencies is proof positive that our financial position is stronger today than it was four years ago.

"Our stable tax rate, consistent growth in our tax base, coupled with our superior school system has strengthened the Town's financial position." Herbst also noted that efforts over the last four years to improve the pension fund are the primary reason why the management assessment from S&P was elevated from "stable" to "good."

Town Treasurer John Ponzio also commented on the recent bond sale and strong credit rating of the Town of Trumbull. "Trumbull's outstanding bond rating was confirmed by the three Wall Street rating agencies, which allowed the town to sell $11.6 million of long-term bonds and $9.5 million of short term notes. These ratings are important to the Town, as they keep the interest cost on our debt as low as possible, thus reducing taxes needed to pay for the Trumbull High School renovation, various sewer projects and town and Board of Education capital projects.

"In these difficult economic times, where communities all over the country are facing a debt crisis, Standard & Poor's upgraded its rating of Trumbull's management," Ponzio said. "We take great pride in receiving these ratings from the financial world and know that they help keep taxes down."

"The successful sale was a direct result of the town's strong credit ratings," said Matthew Spoerndle, managing director of Phoenix Advisors and Trumbull's financial advisor. "In a volatile economic environment, ratings becoming increasingly important. Clearly the agencies have recognized the work town officials have done in recent years to improve Trumbull's fiscal health."

S&P reaffirmed Trumbull's rating at AA/Stable; Moody's at Aa2, and Fitch at AA+. Within its rating, however, S&P raised the Financial Management Assessment (FMA) rating from "standard" to "good" due to Trumbull's decision to boost pension funding to 100 percent of the town's obligation of its actuarially required contribution, or ARC.

Despite the name, pension contributions based on the ARC are recommended but cannot be mandated by law. Instead, in recent years Wall Street rating agencies have been cracking down on public entities that shortchange pension plans to avoid difficult short-term financial decisions. Failure to fully fund pension plans, or work with bargaining units to reduce taxpayer obligations, have led to some well-publicized financial calamities, such as the recent bankruptcy declaration by the City of Detroit.

Fitch’s report noted that Trumbull not only made a full pension payment this year to its Town Plan, but also laid the groundwork for smaller taxpayer obligations in the future. “In addition to increased contributions, management has been successful in moving certain employees into a newly adopted defined contribution plan and is negotiating with other employee groups to require new hires to be part of that new plan,” the report said.

Historically, public employees have enjoyed defined benefit pension plans, which require taxpayers to pay set amounts regardless of how investments perform in the future. Most private sector employees are in defined contribution plans, in which the employer agrees to pay a certain amount into the fund, but the employee does not received a guaranteed payout.